

Message Text

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PAGE 01 OTTAWA 00928 240116Z
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 DOE-11 H-01 INR-10 INT-05 L-03
NSAE-00 OMB-01 PM-05 OES-07 SP-02 SS-15 STR-07
TRSE-00 ACDA-12 DOEE-00 NSCE-00 SSO-00 USIE-00
INRE-00 CEQ-01 EPA-01 IO-13 NSF-01 PA-01 /125 W
-----009311 240122Z /72

O 240111Z FEB 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC IMMEDIATE 6430
INFO AMCONSUL MONTREAL
ALL OTHER CONSULS IN CANADA POUCH

C O N F I D E N T I A L OTTAWA 00928

DEPT PASS DOE/ERA FOR DOUGLAS ROBINSON, ADMINISTRATOR

E.O. 11652: GDS
TAGS: ENRG, PGOV, SENV, CA
SUBJECT: GOVERNMENT SEES NO NEED FOR WEST COAST OIL PORT

REF: A. VANCOUVER 234; B. OTTAWA 424

1. ENVIRONMENT MINISTER LEN MARCHAND ANNOUNCED THIS AFTERNOON (FEB. 23) THAT FEDERAL GOVERNMENT SEES NO NEED FOR WEST COAST OIL PORT NOW OR IN FORESEEABLE FUTURE AND DOUBTS THAT BENEFITS OF ESTABLISHING SUCH PORT WOULD BE SUFFICIENT TO OFFSET DANGER OF RISKING MAJOR OIL SPILL. HE ALSO CITED CONCERN ABOUT POTENTIAL FOR DAMAGE TO ENVIRONMENT AND TO WEST COAST FISHING INDUSTRY, FACTORS HIGHLIGHTED IN REPORT OF WEST COAST OIL PORTS INQUIRY HEADED BY ANDREW THOMPSON. MARCHAND SAID THAT FEDERAL GOVERNMENT WOULD NOT REACTIVATE WEST COAST OIL INQUIRY BECAUSE THERE WAS NO PERCEIVED NEED FOR WEST COAST OIL PORT.

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2. AT THE SAME TIME, EXTERNAL AFFAIRS AND EMR ASSURE US THAT THE NEB INQUIRY INTO THE NEED FOR ADDITIONAL OIL PORTS (REFTEL B) WILL CONTINUE AND REPORT IN THE FALL.

3. MARCHAND'S ANNOUNCEMENT FOLLOWED WITHIN HOURS A STIFF CHALLENGE TO THE GOVERNMENT BY COMMISSIONER THOMPSON WHO, AT A PRESS CONFERENCE, RELEASED INQUIRY REPORT ON HEARINGS

UP TO THEIR CONCLUSION LAST NOVEMBER. THOMPSON ALL BUT DEMANDED THAT THE GOVERNMENT "GET ON WITH THE INQUIRY." THE NEB OIL SUPPLY AND DEMAND STUDY IS A NECESSARY BUT INSUFFICIENT STEP IN DETERMINING WHETHER PORT SHOULD BE BUILT, BUT EXPERIENCE IN THE U.S. SHOWS, THOMPSON SAID, THAT ENVIRONMENTAL, SOCIAL AND SAFETY ISSUES ARE THE DETERMINING FACTORS IN DECIDING WHETHER SUCH FACILITIES SHOULD BE BUILT. THEREFORE, THE GOVERNMENT SHOULD EITHER RULE OUT KITIMAT ALTOGETHER OR RESUME INQUIRY IMMEDIATELY IN ORDER ADEQUATELY TO ASSESS THE IMPLICATIONS OF THE PROJECT IN TIME TO MEET U.S. DECISION DEADLINE EARLY IN 1979.

4. COMMENT: EMR MINISTER GILLESPIE TELLS US THAT THE GOVERNMENT STATEMENT SHOULD BE READ AS A MEANS OF "SKATING THOMPSON OFF THE ICE." WITHOUT IT, HE SAYS, THE GOVERNMENT WOULD NOT HAVE BEEN ABLE TO RESIST RECONVENING THE THOMPSON INQUIRY. GILLESPIE SAYS THAT UNDERLYING SITUATION REMAINS UNCHANGED: THAT AT PRESENT NO CANADIAN INTERESTS AND MANY CANADIAN COSTS IN A WEST COAST OIL PORT HAVE BEEN IDENTIFIED, BUT IF THE NEB STUDY SHOWS A NEED FOR SUCH A FACILITY, THE GOVERNMENT WILL RE-EXAMINE. GILLESPIE CONCLUDES THAT IT IS IN OUR INTEREST TO AVOID DECISION UNTIL THE NEB REPORTS DURING THE FALL ON OIL PORT REQUIREMENTS. GILLESPIE ALSO URGES US AGAIN TO LOOK AT AN ALCAN OIL LINE.
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5. DESPITE GILLESPIE'S ARGUMENTS, SWEEPING NATURE AND CATEGORICAL TONE OF THE MARCHAND STATEMENT WILL MAKE IT DIFFICULT TO REVIVE THE KITIMAT PROJECT. NEB WOULD PRESUMABLY HAVE TO FIND A CLEAR AND COMPELLING NEED TO OVERCOME THE PRESUMPTION THAT THE PROJECT IS DEAD.

6. POLITICAL CONSIDERATIONS HAVE NO DOUBT HAD AN IMPACT ON THE GOVERNMENT STATEMENT. THE LIBERALS ARE RUNNING SCARED IN BRITISH COLUMBIA WITH SOME OF THEIR OWN ANALYSTS PREDICTING THAT ONLY A HANDFUL OF THEIR PRESENT DOZEN MEMBERS WILL SURVIVE FEDERAL ELECTIONS THIS YEAR. EACH OF THE THREE BC MINISTERS IN THE CABINET OPPOSES KITIMAT AND ELECTION WARNINGS HAVE INCREASED THEIR LEVERAGE ON THEIR COLLEAGUES ENABLING THEM TO RAM THE STATEMENT THROUGH THIS MORNING WITHOUT ADVANCE NOTICE TO US. NO DOUBT SOME B.C. LIBERALS WILL RUN ON A "KITIMAT IS DEAD" LINE NOW, AND THAT ALSO WILL BE AN OBSTACLE TO REVIVING THE PROJECT. ENDERS

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